

Message Text

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ACTION EA-13

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC IMMEDIATE 7295

C O N F I D E N T I A L MANILA 11771

LIMDIS

E.O. 11652: GDS

TAGS: EGEN, MARR, OTRA, RP

SUBJECT: VISIT OF VIRATA AND MELCHOR

REF: STATE 215630

1. APPRECIATE VERY PROMPT SUMMARY PROVIDED REFTEL OF TALKS WITH VIRATA AND MELCHOR. FOLLOWING COMMENTS WE THINK ESPECIALLY USEFUL TO HAVE IN MIND FOR OCT. 1 AND 2 TALKS WITH ENDERS AND EBERLE.

(A) EXPIRATION OF LAND MORATORIUM (MENTIONED PARA 4 REFTEL): WE THINK CLOSE TIE THIS ISSUE TO SEQUENCE OF NEGOTIATIONS IS UNHELPFUL AND WE HAVE TRIED TO KEEP TWO SETS OF PROBLEMS AS FAR APART AS POSSIBLE. VIRATA, ON THE OTHER HAND, HAS TRIED TO KEEP ISSUES CLOSELY TIED, BARGAINING HARDER AT EVERY STEP THAN PRESIDENT OR OTHER CABINET PARTICIPANTS. ACCEPTING STATEMENT OF PROBLEM GIVEN BY VIRATA THUS PLAYS INTO HIS HANDS. PLEASE AVOID FUTURE IDENTIFICATION OF THESE TWO SEPARATE ISSUES.

(B) LAND TITLES AND LEASES: IN VIRATA'S ABSENCE WE HAVE DISCUSSED POSSIBLE FUTURE APPROACH TO LAND PROBLEMS WITH MELCHOR (BEFORE HIS DEPARTURE LAST THURSDAY) AND
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PATERNO. LATTER HAS BEST ACROSS-THE-BOARD UNDERSTANDING

THESE PROBLEMS AND IS HIGHLY REGARDED BY AMERICAN BUSINESSMEN. TODAY PATERNO TOOK CONSTRUCTIVE STEP OF PROPOSING TO AMCHAM LEADERSHIP THAT THREE TECHNICAL PANELS BE CREATED, CHARGED WITH DEVELOPING APPROACHES TO PROBLEMS OF (A) PRIVATE LAND TITLES; (B) PUBLIC LAND LEASES; AND (C) FORESHORE LEASES. SINCE IT CLEAR TO MOST THAT VIRATA'S WAIT-EM-OUT APPROACH HAS DISCOURAGED VERY NECESSARY HOMEWORK, PATERNO'S IDEA IS BEING WELL RECEIVED BY AMCHAM. BOTH PUBLIC LAND AND FORESHORE LEASES HAVE CLAUSES UNDER WHICH IMPROVEMENTS ON LAND REVERT TO GOVERNMENT ON TERMINATION. GOP ARGUMENT IS, OF COURSE, THAT SUCH LEASES EFFECTIVELY TERMINATED ON JULY 3, 1974, BUT HAVE BEEN EXTENDED BY THE MORATORIUM. AMONG ISSUES TO BE EXAMINED BY PANELS IS HOW LEASES MAY BE CONTINUED, E.G. BY SERVICE CONTRACT, AND WHAT HAPPENS TO IMPROVEMENTS. OUR ARGUMENT, WHICH PATERNO CONSIDERING, IS THAT CONTINUITY OF SUCH LEASES SHOULD BE DISTURBED AS LITTLE AS POSSIBLE.

(C) OUTSTANDING INJUNCTION: VIRATA'S CITATION OF SUPREME COURT INJUNCTION AS A BLOCK TO ACTION AGAINST FIRMS IN RETAIL TRADE IS VERY INTERESTING. INTENT OF THIS INJUNCTION SEEMS NOT REPEAT NOT TO HAVE BEEN TO PROTECT FIRMS AGAINST PROBLEMS RELATED TO END OF L-L, AND A FEW (KODAK, FIRESTONE, ETC.) NOW HAVING TROUBLE ON ELIGIBILITY TO SELL PRODUCTS TO GOVERNMENT. IF INJUNCTION CAN BE CITED AS A BLOCK TO ACTIONS OF THIS TYPE, NEAR TERM PROBLEMS IN RETAIL TRADE AREA COULD INDEED BE MINIMIZED. THEREFORE, VIRATA MIGHT USEFULLY BE PROBED A BIT FURTHER ON THE POINT. THE MORE SPECIFICS, THE BETTER.

2. REFTEL ALSO RAISES NUMBER QUESTIONS WHICH WE HOPE DEPARTMENT CAN ANSWER AT LEAST PRELIMINARILY:

(A) RESTRICTIVE AMENDMENTS IN GSP. OUR UNDERSTANDING IS THAT MAIN CHANGE RELATES TO OPEC AND LIKE CARTEL DENIALS OR LIMITATIONS OF RESOURCE ACCESS. WE WOULD APPRECIATE FULLER APPRAISAL.

(B) COMPETITIVE NEED CEILING. REPORTS RECEIVED HERE INDICATE CEILING MAY BE LIFTED AT DISCRETION OF PRESIDENT ON PRODUCTS NOT COMPETITIVE WITH U.S. PRODUCTS. HOW
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EXTENSIVE IS TERM "COMPETITIVE?" DOES IT APPLY ONLY TO SAME OR ALSO TO SIMILAR PRODUCTS?

(C) NONDISCRIMINATION. WE ARE SOMEWHAT PUZZLED BY LANGUAGE PARA 5 REFTEL TO EFFECT USG APPEARS TO HAVE "REJECTED" OR DEFERRED ACCEPTANCE OF ITS OWN PROPOSAL ON THIS SUBJECT. IF WE ARE NOT UNHAPPY WITH OUR LANGUAGE, WHY SHOULD IT SET A COMPLICATING PRECEDENT? IS TREASURY

NEGOTIATING UNDER INSTRUCTIONS, OR INDEPENDENTLY?

3. APPRECIATE ANY DEPARTMENT COMMENTS ON FOREGOING,
AND LIK FORWARD TO RECEIPT OF MEMCONS ON VIRATA/MELCHOR
TALKS.
SULLIVAN

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